

# 'Soft money' in the 1830s fueled land speculation

For 60 years, the vault of the first bank in Wisconsin stood as a monument to speculation and failure.

The pile of iron and stone lasted until 1897 on Green Bay's Chicago Street near the present Fire Station 1. It served as a reminder of the bank's profound impact on the community:

In early 1835, the Bank of Wisconsin obtained a charter from the Michigan Territorial Legislature (Wisconsin not yet being a state or even a territory) authorizing capitalization of \$100,000 to be sold for \$50 a share.

There being no national paper currency, the bank was authorized to issue its own currency. Interest on loans was limited to 6 percent. Many residents bought stock, but the controlling interest was held by Morgan L. Martin, Daniel Whitney and William Dickinson of Astor, Navarino and De Pere, respectively. Martin was elected president.

There was a nationwide financial boom at the time fueled by land speculation. To speculate on land or start a business, it was necessary to borrow money. Bankers across the country loaned freely their "soft" money — paper currency not backed dollar for dollar by gold.

But 1837 was a fateful year. The failure of several large British banks, combined with the unrelenting enmity of President Andrew Jackson who rescinded the charter of the Bank of the United States, caused a panic. The ensuing contraction of the money sup-



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ply led to one of the most severe depressions in our nation's history.

A threatened run on the Bank of Wisconsin in May 1837 caused it to suspend redemption of its notes for gold. Hard-pressed officials of the bank tried one thing after another to keep it



**Stone vaults:** In the 1800s, some banks kept money and valuables in vaults made of stone and steel.

State Historical Society of Wisconsin photo

afloat —merger with other banks, sale of the charter to Nicholas Biddle, former president of the Bank of the United States, and others. Wisconsin Territorial Gov. Henry Dodge, upset by the influence of banks in the Legislature, asserted "It is a well-established fact that the banking corporations ... practice the most gross frauds upon the public ... by making excessive issues of their bank notes when they have no means of redeeming them."

The Bank of Wisconsin turned away an examiner from the territorial legislature in 1839 and the end was near. By this time, shares in the bank were nearly worthless. Rather than carry out the state's suit against his fellow townsmen, Attorney General H.S. Baird resigned. But his replacement acted, and in October 1842, the charter of the Bank of Wisconsin was forfeited.

*(Submitted by the Brown County Historical Society)*